$100,000,000

Kraftco Corporation

8⅜% Sinking Fund Debentures

due April 15, 2004

Goldman, Sachs & Co.

Representatives of the Underwriters

LISTING APPLICATION TO
NEW YORK STOCK EXCHANGE, INC.

B-4141-D
April 17, 1974

KRAFTCO CORPORATION

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

$100,000,000 PRINCIPAL AMOUNT

8⅜% SINKING FUND DEBENTURES DUE APRIL 15, 2004

Underwritten Public Offering

DESCRIPTION OF TRANSACTIONS

Kraftco Corporation (the "Company") offered for sale $100,000,000 principal amount of 8⅜% Sinking Fund Debentures due April 15, 2004 (the "Debentures"). Reference is made to the Prospectus dated April 17, 1974 relating to the Debentures which is incorporated herein by reference and made a part hereof.

The Debentures are being issued under an Indenture (the "Indenture") dated as of April 15, 1974 between the Company and Manufacturers Hanover Trust Company of New York, Trustee. Principal and interest on the Debentures will be payable at the corporate trust office of the Trustee in New York, New York and the Debentures may be transferred or exchanged, without service charge, at such office. However, unless other arrangements are made, interest will (subject to certain exceptions) be paid to the persons in whose names the Debentures are registered at the close of business on the last day of the calendar month preceding each semi-annual interest payment date and will be paid by checks mailed to the registered addresses of such persons. The Debentures will be issuable only in registered form without coupons in denominations of $1,000 and multiples thereof.

RECENT DEVELOPMENTS

Since the latest annual report of the Company there have been no important developments affecting the Company or its business which have not received publicity.

AUTHORITY FOR ISSUANCE

The issuance of the Debentures, upon the terms and conditions and for the purposes set forth in the Prospectus, was authorized by resolutions of the Board of Directeors of the Company on March 7, 1974, and April 15, 1974, and by determination of the Debenture Committee thereunder dated April 17, 1974. No further corporate authority is required.

OPINION OF COUNSEL

John M. Richman, Senior Vice President and General Counsel for the Company, has filed an opinion with the New York Stock Exchange, Inc. to the effect that the Debentures have been duly and validly authorized, and, when duly executed and authenticated in accordance with the terms of the Indenture and issued and sold in accordance with the terms of the Underwriting Agreement between the Company and the several Underwriters, will constitute valid and binding obligations of the Company in accordance with their terms.

A Registration Statement on Form S-7 (File No. 2-50515) with respect to the Debentures, filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, has become effective and the Indenture under which the Debentures are being issued has been qualified under the Trust Indenture Act of 1939.

Application has been made on Form 8-A for registration of the Debentures on the New York Stock Exchange, Inc. under the Securities Exchange Act of 1934.

KRAFTCO CORPORATION

By M. JOSEPH LAMBERT
Senior Vice President

The New York Stock Exchange, Inc. hereby authorizes the listing of $100,000,000 principal amount of 8⅜% Sinking Fund Debentures due April 15, 2004 of Kraftco Corporation upon official notice of issuance and sale and evidence of satisfactory distribution pursuant to public offering.

MERLE S. WICK, *Vice President*
Division of Stock List

JAMES J. NEEDHAM, *Chairman of the Board*
New York Stock Exchange, Inc.

$100,000,000

Kraftco Corporation

$8\frac{3}{8}\%$ Sinking Fund Debentures due April 15, 2004

Prior to April 15, 1984, Kraftco may not redeem any of the Debentures as part of any refunding operation involving borrowing at an interest cost of less than 8.44% per annum. The Debentures will be otherwise redeemable at any time at Kraftco's option at declining premiums, in whole or in part. The Debentures will be entitled to a Sinking Fund beginning April 15, 1985 in annual installments of $5,000,000, calculated to retire at least 95% of the issue prior to maturity. See "Description of Debentures" herein.

The Company has made application for listing the Debentures on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Initial Public Offering Price(1)	Underwriting Discount(2)	Proceeds to Company(1)
Per Unit	99.250%	.875%	98.375%
Total	$99,250,000	$875,000	$98,375,000

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(1) Plus accrued interest. The proceeds are stated before deduction of expenses payable by the Company, estimated at $170,000.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The Debentures are offered severally by Underwriters as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Debentures in definitive form will be ready for delivery at the office of Goldman, Sachs & Co., Chicago, Illinois, on or about April 24, 1974. The Debentures will be issued only in fully registered form.

Goldman, Sachs & Co.

The date of this Prospectus is April 17, 1974.

No person is authorized to give any information or to make any representation other than those contained in this Prospectus, and if given or made such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Debentures offered by this Prospectus or an offer to sell or a solicitation of an offer to buy the Debentures in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Kraftco Corporation since the date hereof, or that the information herein is correct as of any time since the date hereof.

ADDITIONAL INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith has filed reports and other information with the Securities and Exchange Commission. Information concerning directors and officers, their remuneration, options granted to them, the principal holders of securities of the Company and the material interest of such persons in transactions with the Company as of particular dates is disclosed in proxy statements distributed to stockholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected at the principal office of the Commission at 500 North Capitol Street, N.W., Washington, D. C., and copies of such material can be obtained from the Commission at prescribed rates. In addition, reports, proxy statements and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York, the Midwest Stock Exchange, 130 South La Salle Street, Chicago, Illinois and the Pacific Stock Exchange, 301 Pine Street, San Francisco, California.

This Prospectus omits certain of the information contained in the Registration Statement in respect of the Debentures offered hereby which is on file with the Securities and Exchange Commission pursuant to the rules and regulations of the Commission. The Registration Statement can be inspected at the principal office of the Commission in Washington, D. C., and copies thereof can be obtained from the Commission at prescribed rates.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

KRAFTCO CORPORATION

Kraftco Corporation is engaged principally in the purchase, manufacture, processing and distribution of food products and is one of the world's leading packaged food companies. Sales of these products are made primarily to chain stores, retail food stores, wholesalers and distributors of food products, and to food service and industrial customers.

Kraftco Corporation was incorporated under the laws of Delaware on December 8, 1923 under the name "National Dairy Products Corporation". The name of the Company was changed to "Kraftco Corporation" on April 18, 1969. Its principal executive offices are located at Kraftco Court, Glenview, Illinois 60025, telephone number (312) 998-2000. Unless the context indicates otherwise, the terms "Kraftco" or "Company" as used herein refer to Kraftco Corporation and its subsidiaries.

USE OF PROCEEDS

The net proceeds to be received from the sale of the Debentures offered hereby, estimated at $98,205,000 (after deduction of underwriting discount of $875,000 and estimated expenses of $170,000), will be applied to the reduction of short-term indebtedness and the repayment of $3,817,000 of Eurodollar bank loans due 1978 (see "Capitalization"). As of March 30, 1974, short-term indebtedness (excluding current portion of long-term debt) consisted of $130,982,000 of domestic commercial paper and $76,248,188 of foreign denominated short-term borrowings of international subsidiaries (see Note 5 to the Consolidated Financial Statements). Such indebtedness was incurred to provide working capital and to finance a portion of capital expenditures. During 1973, capital expenditures amounted to $70,374,000 and are expected to approximate $105,000,000 in 1974. Kraftco's cash requirements fluctuate on a seasonal basis, reaching a peak during the summer months. The Company anticipates that it will continue to borrow, both domestically and abroad, on a short-term basis in the normal course of business.

Working capital needs have increased substantially since 1972 principally as a result of increased inventories reflecting higher costs of certain raw materials, increased accounts receivable and the purchase of two companies and of shares of Kraftco's common stock for its treasury. The foregoing increase in working capital needs has required the Company to incur significant domestic short-term borrowings for the first time since 1961.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

The following consolidated statements of income and retained earnings of Kraftco Corporation and Subsidiaries for the five years ended December 29, 1973, have been examined by Arthur Andersen & Co., independent public accountants, as set forth in their report included elsewhere in this Prospectus. These statements should be read in conjunction with the other consolidated financial statements and the notes thereto included elsewhere in this Prospectus.

	Years Ended				
	Dec. 27, 1969	Dec. 26, 1970	Dec. 25, 1971	Dec. 30, 1972*	Dec. 29, 1973
	(Amounts in Thousands of Dollars Except Per Share Figures)				
Net Sales	$2,580,905	$2,751,129	$2,959,636	$3,196,789	$3,601,535
Costs and Expenses:					
Cost of products	1,970,676	2,103,405	2,269,492	2,457,718	2,827,057
Delivery, selling and administrative expense	450,071	477,370	501,786	541,790	569,931
	2,420,747	2,580,775	2,771,278	2,999,508	3,396,988
Operating Income	160,158	170,354	188,358	197,281	204,547
Other Income (Expense):					
Interest income	4,147	4,396	4,403	3,577	4,020
Purchase discounts	3,737	3,851	4,187	4,619	5,186
Interest on long-term debt	(3,722)	(4,340)	(7,250)	(8,388)	(8,872)
Other interest expense	(1,714)	(3,249)	(2,527)	(3,441)	(8,085)
Miscellaneous, net	(907)	(987)	(373)	2,395	1,075
	1,541	(329)	(1,560)	(1,238)	(6,676)
Income Before Taxes and Extraordinary Charge	161,699	170,025	186,798	196,043	197,871
Provision for Taxes on Income:					
Current—					
Federal	65,437	65,547	65,302	62,039	62,222
Foreign	13,675	15,563	21,290	22,412	21,509
State and local	5,352	6,688	8,286	8,514	8,647
Deferred	1,610	221	573	2,443	2,065
	86,074	88,019	95,451	95,408	94,443
Income Before Extraordinary Charge	75,625	82,006	91,347	100,635	103,428
Extraordinary Charge—Provision for losses on plant closings, less Federal income tax benefit of $10,200,000—Note 13	—	—	—	(12,300)	—
Net Income	75,625	82,006	91,347	88,335	103,428
Retained Earnings, beginning of year	557,796	586,344	620,843	664,548	703,142
Dividends on common stock	(47,077)	(47,507)	(47,642)	(49,741)	(49,331)
Retained Earnings, end of year	$ 586,344	$ 620,843	$ 664,548	$ 703,142	$ 757,239
Earnings per Common Share:					
Per common and common equivalent share—					
Income before extraordinary charge	$2.69	$2.93	$3.25	$3.57	$3.70
Extraordinary charge	—	—	—	(.44)	—
Net Income	$2.69	$2.93	$3.25	$3.13	$3.70

	Years Ended				
	Dec. 27, 1969	Dec. 26, 1970	Dec. 25, 1971	Dec. 30, 1972*	Dec. 29, 1973
Per common share assuming full conversion of the 7½% DM Convertible Bearer Bonds due 1985 issued in 1970—					
Income before extraordinary charge	$ —	$2.92	$3.21	$3.53	$3.66
Extraordinary charge	—	—	—	(.43)	—
Net income	$ —	$2.92	$3.21	$3.10	$3.66
Average number of common shares outstanding (including common equivalent shares after 1969)	28,111,096	27,978,160	28,093,809	28,190,243	27,945,221
Dividends paid per share	$1.675	$1.70	$1.70	$1.768	$1.768
Ratio of earnings to fixed charges (a)	17.27	14.74	13.57	12.21	9.47

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* 53 week period.

(a) For purposes of computing these ratios, earnings consist of income before fixed charges and extraordinary charge and all taxes based on income or profits. Fixed charges consist of interest, amortization of debt discount and expense, dividends on preferred stock of a subsidiary through 1972, and one-third of rentals. The ratio of earnings to fixed charges for 1972 after the extraordinary charge was 10.93. The unaudited pro-forma ratio of earnings to fixed charges for 1973, after giving effect to this financing, is 7.76.

See Notes to the Consolidated Financial Statements.

The initial annual interest requirement on the Debentures offered hereby is $8,375,000.

The Company's domestic operations have been subject to price controls under the Federal Economic Stabilization Program since August 1971. This program initially prevented recovery of any cost increases for 90 days and subsequently delayed or prevented full recovery of increased costs other than "food raw materials." In June 1973, a second freeze was announced. During the first 30 days of this period, food processors were required to absorb all cost increases, including those of raw agricultural commodities, and were prevented from reflecting cost increases in selling prices. From mid-July until September 10, 1973, price increases were curtailed by inventory pricing rules. Since September 10, 1973, the Company has been permitted to pass through increases in its "food raw material" costs to the extent such increases raise average inventory cost levels, but price increases to recover other costs are subject to a 30-day pre-notification period during which such proposed price increases are considered by the Federal Cost of Living Council. Various price controls in foreign countries, particularly the United Kingdom, also affected operations during 1973, and are continuing in 1974.

Domestic cheddar cheese production in 1973 was not sufficient to meet increased consumer demand, and beginning in August and continuing through year-end, it became necessary for Kraftco to allocate many varieties of cheddar cheese products to its customers. As a result of increased domestic cheddar cheese production commencing in late 1973, and increased imports of manufactured dairy products, Kraftco has in 1974 substantially eliminated its allocation limitations.

The foregoing controls and shortages adversely affected profit margins during 1973, particularly in the third quarter and, to a lesser degree, in the fourth quarter.

Raw materials, such as cheese, milk, and vegetable oil, which comprise a substantial portion of the Company's inventories, are subject to price fluctuations. As a result of a recent decline of 3¢ per pound in the purchase price of cheddar cheese, the value of the Company's inventories (which are carried at the lower of average cost or market) was reduced by $2,695,000 in March. This will have the effect of reducing net income in the first quarter of 1974 by approximately $1,400,000. While net margins in 1974 are comparable to those in the fourth quarter of 1973, such margins, on increased net sales, are below those of the comparable period in 1973.

CAPITALIZATION

The capitalization of Kraftco and its consolidated subsidiaries as of December 29, 1973, and as adjusted to give effect to the sale of the Debentures offered hereby, is as follows:

	Outstanding	As Adjusted
	(Thousands of Dollars)	
Long-Term Debt (1)		
Kraftco Corporation—		
3⅛% Debentures due 1976	$ 13,506	$ 13,506
4⅜% Debentures due 1992	25,719	25,719
6⅞% Debentures due 1996	50,000	50,000
8⅜% Debentures due 2004	—	100,000
7½% DM Convertible Bearer Bonds due 1985	37,000	37,000
Bank Loans due 1978 (Eurodollars)(2)	3,817	—
Sundry Secured Indebtedness	8,569	8,569
Kraft Foods Limited (England)—		
Debenture Stock (5%—6¾%) due 1975	4,408	4,408
Total Long-Term Debt	$143,019	$ 239,202
Minority Interest in Subsidiary	$ 2,298	$ 2,298
Stockholders' Equity		
Preferred Stock, $1 par value, authorized 10,000,000 shares; issued none	$ —0—	$ —0—
Common Stock, $2.50 par value, authorized 60,000,000 shares; issued 29,451,288 shares (3)	73,628	73,628
Capital surplus	49,958	49,958
Retained earnings	757,239	757,239
	$880,825	$ 880,825
Less—Treasury stock (1,731,645 shares), at cost	(73,162)	(73,162)
Total Stockholders' Equity	$807,663	$ 807,663
Total Consolidated Capitalization	$952,980	$1,049,163

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(1) Excludes $6,425,000 principal amount of debentures held in the Company treasury, of which $2,450,000 will be applied against sinking fund payments due in 1974, and also excludes $1,894,000 ($1,724,000, as adjusted) of other current maturities and prepayments of long-term debt. See Note 6 to the Consolidated Financial Statements for subsequent annual maturities of and other information on long-term debt.

(2) Interest rates are based upon, and fluctuate with, prevailing Eurodollar rates. These bank loans are to be repaid from a portion of the proceeds of the offering made hereby.

(3) Excludes 649,350 shares reserved for issuance upon conversion of the 7½% DM Convertible Bearer Bonds due 1985 and 547,774 shares reserved for issuance under employee stock option plans.

See Note 9 to the Consolidated Financial Statements for information with respect to contingent liabilities. Annual obligations under long-term leases are considered to be not material.

For information as to short-term borrowings, see "Use of Proceeds" and Note 5 to the Consolidated Financial Statements.

BUSINESS

The following table sets forth the percentage contributions of sales of the indicated classes of products to consolidated net sales of Kraftco for the five years ended December 29, 1973.

	Percentage Contribution to Consolidated Net Sales for Fiscal Years				
	1969	1970	1971	1972	1973
Manufactured Dairy Products	39.3%	40.7%	41.9%	43.7%	44.2%
Processed Food Products	33.4	35.1	35.9	35.4	36.3
Fluid Milk Products	18.2	15.5	13.6	12.4	11.1
Ice Cream and Frozen Desserts	6.5	6.0	5.8	5.5	5.2
Other Products	2.6	2.7	2.8	3.0	3.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Manufactured dairy products and processed food products provide significantly higher margins than fluid milk products and ice cream and frozen desserts. Such higher-margin products have accounted for the predominant portion of the increase in Kraftco's net sales and profits during the past five years. To increase profitability of the fluid milk products and ice cream and frozen desserts product classes, the Company has, particularly since 1971, closed or consolidated a number of plants (see Note 13 to the Consolidated Financial Statements). These actions, together with planned phase-outs of certain products and from certain marketing areas, have contributed to the decline of these product classes as a percentage of total net sales during the past five years and, in the case of fluid milk products, to an absolute decline in dollar sales.

Domestic Operations

The Company's domestic operations are as follows:

Kraft Foods manufactures and distributes throughout the United States manufactured dairy products and processed food products. These products consist mainly of cheese and cheese products, salad dressings, margarine, confections, cooking oils and shortening, jellies and preserves, packaged dinners, fruit juices, fruit salads and segments, as well as animal and poultry feeds and related products. Kraft Foods markets its products principally under the trademark "Kraft" and, in addition, markets such brand name products as "Velveeta" process cheese spread, "Parkay" margarine, "Miracle Whip" salad dressing, "Philadelphia" cream cheese and "Cracker Barrel" natural cheese. Kraft Foods also distributes certain products manufactured by others, including refrigerated ready-to-bake biscuits, rolls and cookies under The Pillsbury Company's trademarks.

Sealtest Foods processes and distributes, chiefly east of the Mississippi River, a full line of fluid milk, cream, cottage cheese, yogurt and other milk specialties, and ice cream and frozen desserts, primarily in packaged form. Sealtest Foods also distributes orange juice, fruit beverages, butter and other products, most of which are produced or packaged by other Kraftco operations. Sealtest Foods markets most of its products under the trademark "Sealtest". A line of low-fat milk, ice milk and dairy specialty products is marketed under the additional trademark "Light n' Lively", and ice cream is also sold under the long-established "Breyers" trademark.

Breakstone Sugar Creek Foods manufactures and distributes certain manufactured dairy products, including cottage cheese, butter, sour cream, cream cheese, yogurt and other products, as well as ice cream and flavor bases for soft drinks and syrups. These products are marketed primarily in the eastern and midwestern parts of the United States. The principal trademarks are "Breakstone", "Temp-Tee" and "Sugar Creek".

Kra-Pak manufactures and sells industrial and packaging materials and vegetable oil products. Kra-Pak's business and marketing structure is comprised of four principal operations: HumKo Products, HumKo-Sheffield Chemical Products, Metro Containers and Universal Packaging. HumKo Products refines and manufactures a variety of edible vegetable oils, shortenings and coffee whiteners for consumers and food processors. HumKo-Sheffield Chemical Products produces a line of high-quality fatty acids and chemicals used by leading industries. Metro Containers manufactures glass containers for use in the food, beverage, drug, chemical, cosmetic and other industries. Universal Packaging, acquired by Kraftco in 1973, manufactures paper containers principally for the food industry. In addition, Universal Packaging has responsibility for the Company's flexible packaging materials and printing operations. While most of Kra-Pak's products are sold to outside customers, a significant portion is used by other operations of Kraftco.

Aluminum Specialty Company of Manitowoc, Wisconsin, purchased by the Company in February 1974, manufactures and sells aluminum cookware, small electric appliances, roller skates and toys, and a variety of plastic components.

Canadian Operations

The Company has three Canadian subsidiaries: Kraft Foods Limited, which manufactures and distributes manufactured dairy products and processed food products under substantially the same trademarks used in the United States; Vancouver Fancy Sausage Co. Ltd., which manufactures and distributes specialty meat products; and Dominion Dairies Limited (83.6% owned), which produces and distributes fluid milk products, certain manufactured dairy products and ice cream and frozen desserts in the provinces of Ontario and Quebec, principally under the trademark "Sealtest".

International Operations

Subsidiary operations in Australia, Belgium, Britain, Denmark, Germany, Ireland, Italy, Mexico, New Zealand, Panama, the Philippines, Spain, Sweden and Venezuela distribute and produce primarily manufactured dairy products and processed food products under the "Kraft" trademark. The MK Cheese Co., Ltd., jointly owned by Kraftco and Morinaga Milk Industry Co., Ltd., produces cheese products in Japan. Although business conditions in these foreign countries vary widely, the Company's foreign operations are located in countries where business conditions have been relatively stable and in which the Company's subsidiaries have been operating for many years.

The Company's operations outside the United States and Canada contributed approximately 16% of consolidated net sales and 19% of consolidated income before taxes in 1973. Excluding favorable foreign currency translation adjustments, 1973 earnings before taxes from these operations increased slightly over the year 1972. Although both sales volume and market expansion increased, international operating margins were lower, mainly because of the higher cost of raw materials, interest and other expenses. See Notes 1 and 14 to the Consolidated Financial Statements.

Research and Development

Research and Development supports Kraftco's operations by performing applied and fundamental technical research and market research. The research center is staffed by 350 people, including skilled scientists, chemists, nutritionists, engineers, technical aides and market research personnel. Kraftco's research and development effort works with the Company's operating personnel to develop new products and packaging, to improve established products and the economics of production and to find uses for by-products. Research and Development also provides guidance and assistance in environmental protection and maintains a close liaison with government and university laboratories.

Competition

Kraftco is subject to highly competitive conditions in virtually all phases of its business, both from large national and international companies and from numerous local and regional companies. The packaged foods industry is characterized by intense competition both in the United States and in other countries. Competition is also provided by private label products, primarily house brands of major supermarket chains.

Employees

In 1973 over 48,900 persons were employed by the Company. Substantially all of the approximately 17,400 employees of Canadian and international subsidiaries are local nationals. The Company has collective bargaining agreements with a substantial number of union locals as well as many nonunionized facilities. There have been no material interruptions or curtailments of operations due to labor disputes, and the Company considers its labor relations to be good.

Property

The Company has numerous plants located so as to serve wide market areas efficiently. Principal plants in the United States are located in California, Florida, Georgia, Illinois, Indiana, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Pennsylvania, Tennessee and Texas, and in Canada are located in the provinces of Ontario and Quebec. Outside the United States and Canada, the Company's subsidiaries operate plants in most of the countries in which they are located. Most of the plants and properties are owned by the Company, although certain warehouses and distributing branches are leased.

Energy Matters

The Company believes that the current energy crisis has resulted in an increase of certain costs of raw materials and transportation, and in shortages in, or delays in receiving, some supplies and raw materials. While the Company cannot predict the ultimate impact of the energy crisis on its domestic and international operations, it does not foresee a materially adverse impact in the near future.

Federal Trade Commission Orders

Kraftco is subject to the following two orders of the Federal Trade Commission: (1) Order of December 9, 1968, prohibiting certain discriminations among customers in pricing and promotional practices of Sealtest Foods; and (2) Order of October 2, 1969, prohibiting certain price promotions of Kraft Foods in connection with the sale of jellies and preserves.

Pending Legal Proceedings

In November 1973, Kraftco entered into an agreement with Deltown Foods, Incorporated, to sell to Deltown its New York City milk business, together with related plant and equipment, for approximately $3,300,000 (net of inventory and receivables) and also licensed Deltown to use certain of the Company's trademarks in the sale of specified products in the fluid milk line. The Federal Trade Commission, in January 1974, filed a complaint challenging the transaction and seeking to require either divestiture of the assets acquired by Deltown or rescission of the transaction, and seeking to revoke the trademark license as well as to require the licensing of those same trademarks on a nonexclusive basis to other New York City dairies.

There are no other pending legal proceedings against the Company other than ordinary routine litigation, including several treble damage suits based on alleged violations of the anti-trust laws. Such litigation is incidental to the Company's business, and, based on the opinion of the Company's General Counsel, it is believed that the outcome of such litigation will not materially affect the Company's consolidated financial position or operations.

In addition, several governmental agencies have requested information from the Company in connection with investigations being conducted by them.

Management

The directors and officers of the Company are as follows:

Name	Position
William O. Beers	Chairman of the Board of Directors and Chief Executive Officer
Richard C. Bond	Director; President, Board of Trustees, John Wanamaker Philadelphia, Inc.
Catherine B. Cleary	Director; President, First Wisconsin Trust Company
John D. deButts	Director; Chairman of the Board and Chief Executive Officer, American Telephone and Telegraph Company
Gordon Edwards	Director; Former Chairman of the Board of Kraftco
Dr. Lloyd C. Elam	Director; President, Meharry Medical College
M. Joseph Lambert	Director; Senior Vice President and Chief Financial Officer
Barry T. Leithead	Director; Director of Cluett, Peabody & Co., Inc.
John F. McGillicuddy	Director; President, Manufacturers Hanover Corporation and President, Manufacturers Hanover Trust Company
John J. Powers, Jr.	Director; Director of Pfizer Inc.
John S. Reed	Director; Chairman of the Board and Chief Executive Officer, Santa Fe Industries, Inc. and Chairman of the Board and Chief Executive Officer, The Atchison, Topeka and Santa Fe Railway Company
O. Everett Swain	Director; Vice President; President of Kraft Foods
Walter N. Thayer	Director; Partner, Whitcom Investment Company and President, Whitney Communications Corporation
O. P. Thomas	Director; Chairman of the Board, The B. F. Goodrich Company
John L. Weinberg	Director; Partner, Goldman, Sachs & Co.
Arthur W. Woelfle	Director; President and Chief Operating Officer
Chester R. Green	Senior Vice President—Corporate Development, Marketing and Research
John M. Richman	Senior Vice President and General Counsel
Joseph L. Caliri	Vice President and Secretary

Name	Position
H. M. Connelly	Vice President
Kenneth B. Fishpaw	Vice President and Comptroller
William B. Jordan	Vice President and Treasurer
Louis E. Lynch	Vice President
Herbert F. Marston	Vice President
Bryant H. Prentice, Jr.	Vice President
John M. Steiner	Vice President
John X. Thomas	Vice President
Margaret P. MacKimm	Director of Public Relations
John A. Mitchell	Director of Personnel Administration
Donald W. Carlin	Assistant Vice President and Assistant General Counsel
Robert G. Johnson	Assistant Vice President and Assistant General Counsel
John T. Kelly	Assistant Vice President and Assistant General Counsel
Gerald M. Dippman	Assistant Secretary
Howard M. Lee	Assistant Treasurer
Arthur R. Messerschmidt	Assistant Treasurer
Mary P. O'Brien	Assistant Secretary
C. G. Olson	Assistant Comptroller
Marvin H. Tank	Assistant Treasurer
Roger H. Willis	Assistant Comptroller

DESCRIPTION OF DEBENTURES

The Debentures are to be issued under an Indenture (the "Indenture"), to be dated as of April 15, 1974, between the Company and Manufacturers Hanover Trust Company, Trustee (the "Trustee"). The following statements with respect to the Debentures are subject to the detailed provisions of the Indenture, the form of which is filed as an exhibit to the Registration Statement. Whenever any particular section of the Indenture or any term defined therein is referred to herein, such section or definition is incorporated by reference, and the statement in connection with which such reference is made is qualified in its entirety by such reference.

General

The Debentures will be limited to $100,000,000 aggregate principal amount, will be issued in denominations of $1,000 and integral multiples thereof and will be issued in registered form only, without coupons. The Debentures will be unsecured obligations of the Company and will mature on April 15, 2004. Each Debenture will bear interest at the rate of 8⅜% per annum, payable on April 15 and October 15 of each year, commencing October 15, 1974, to the person in whose name the Debenture is registered at the close of business on the preceding March 31 and September 30, respectively, subject to certain exceptions, and notwithstanding the fact that interest may be payable on a redemption date. (Sections 2.01, 2.03 and 3.03.) Principal (and premium, if any) and interest will be payable at an office or agency to be maintained by the Company in New York City, except that at the option of the Company interest may be paid by check mailed to the person entitled thereto. (Section 4.01.) The Debentures may be presented at the corporate trust office of the Trustee for registration of transfer or exchange. The Debentures in the several denominations will be interchangeable without service charge, but the Company may require payment to cover taxes or other governmental charges. (Section 2.05.)

Redemption

The Debentures will be subject to redemption otherwise than through the operation of the Sinking Fund described below, in whole or in part at any time or from time to time, at the option of the Company, on at least 30 days' notice by mail at the following redemption prices, if redeemed during the 12-month period beginning April 15 in each of the following years:

Year	Percentage of Principal Amount
1974	107.625%
1975	107.320
1976	107.015
1977	106.710
1978	106.405
1979	106.100
1980	105.795
1981	105.490
1982	105.185
1983	104.880
1984	104.575
1985	104.270
1986	103.965
1987	103.660%
1988	103.355
1989	103.050
1990	102.745
1991	102.440
1992	102.135
1993	101.830
1994	101.525
1995	101.220
1996	100.915
1997	100.610
1998	100.305

and on or after April 15, 1999 at 100%, together in each case with interest accrued to the date fixed for redemption (subject to the right of the registered holder on the record date for an interest payment to receive such interest). Notwithstanding the foregoing, the Company may not exercise its foregoing option to redeem any of the Debentures prior to April 15, 1984, from the proceeds, or in anticipation, of the issuance of any indebtedness for money borrowed which shall have an interest cost of less than 8.44% per annum. (Sections 3.01 and 3.02.)

Sinking Fund

The Debentures will also be subject to redemption on at least 30 days' notice by mail through the operation of a Sinking Fund on April 15, 1985, and on each April 15 thereafter to and including April 15, 2003, at 100% of their principal amount together with accrued interest to the date fixed for redemption. The Sinking Fund will provide for the redemption of $5,000,000 principal amount of Debentures on each such date. In addition, the Company may redeem on any such date, pursuant to the Sinking Fund, an additional principal amount of Debentures not exceeding the principal amount required to be redeemed on such date under the mandatory provisions of the Sinking Fund. This additional right to redeem, if not exercised by the Company, will not be cumulative. The Company may, at its option, receive credit against Sinking Fund payments for Debentures acquired through purchase, or called for redemption other than through the Sinking Fund or redeemed through the Sinking Fund in excess of the principal amount required to be so redeemed. (Sections 3.04, 3.05, 3.06 and 3.08.)

Definitions

The term "subsidiary of the Company" will be defined as a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company and/or one or more subsidiaries of the Company. The term "Domestic Subsidiary" will be defined as a subsidiary of the Company except a subsidiary which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States, or which is engaged primarily in financing the operations of the Company and its subsidiaries outside the United States. (Section 1.01.) "Principal Property" will be defined to include any manufacturing or processing plant or warehouse owned or leased by the Company or any Domestic Subsidiary (excluding all related land) which is located within the United States and the gross book value (without deduction of any depreciation reserves) of which on the date as of which the determination is being made exceeds 1% of Consolidated Net Tangible Assets (as defined), other than any such plant or warehouse or portion thereof which, in the opinion of the Board of Directors, is not of material importance to the total business conducted by the Company and its subsidiaries, as an entirety. (Section 1.01.) "Attributable Debt" will be defined to mean the total net amount of rent required to be paid during the remaining term of certain leases, discounted at the rate per annum borne by the Debentures compounded semi-annually. (Section 1.01.)

Restrictions on Secured Debt

If the Company or any Domestic Subsidiary shall incur, suffer to exist or guarantee any Debt secured by a Mortgage (as defined) on any Principal Property or on any shares of stock or Debt of any Domestic Subsidiary, the Company will secure or cause such Domestic Subsidiary to secure the Debentures equally and ratably with (or prior to) such secured Debt, unless after giving effect thereto the aggregate amount of all such Debt so secured, together with all Attributable Debt in respect of sale and leaseback transactions involving Principal Properties (see "Restrictions on Sales and Lease-backs" below), would not exceed 5% of the Consolidated Net Tangible Assets of the Company and its consolidated subsidiaries. (Section 4.05.) This restriction will not apply to, and there will be excluded from secured Debt in any computation under such restriction, Debt secured by (a) Mortgages on property of, or on any shares of stock or Debt of, any corporation existing at the time such corporation becomes a Domestic Subsidiary, (b) Mortgages on property, shares of stock or Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation), (c) Mortgages on property, shares of stock or Debt hereafter acquired (or, in the case of property, constructed) by the Company or any Domestic Subsidiary and created prior to, at the time of, or within 120 days after acquisition (or, in the case of property, the completion of construction and commencement of commercial operation, whichever is later) to secure or provide for the purchase price (or, in the case of property, the construction price) thereof, (d) Mortgages in favor of the Company or a Domestic Subsidiary, (e) Mortgages in favor of U. S. and State governmental bodies to secure progress or advance payments, and (f) certain extensions, renewals or refundings of any Mortgage referred to in the foregoing clauses (a) through (e), inclusive. (Section 4.05.)

Merger and Consolidation

The Indenture will provide that no consolidation or merger of the Company with or into any other corporation and no sale or conveyance of its property as an entirety, or substantially as an entirety, may be made to another corporation if, as a result thereof, any Principal Property or any shares of stock or Debt of any Domestic Subsidiary would become subject to a Mortgage, unless either (i) the Debentures shall be equally and ratably secured with (or prior to) the Debt secured by such Mortgage, or (ii) such Mortgage could be created pursuant to Section 4.05 (see "Restrictions on Secured Debt" above) without equally and ratably securing the Debentures. (Section 11.03.)

Restrictions on Sales and Leasebacks

Neither the Company nor any Domestic Subsidiary may enter into any sale and leaseback transaction involving any Principal Property, completion of construction and commencement of full operation of which has occurred more than 120 days prior thereto, unless (a) the Company or such Domestic Subsidiary could mortgage such property pursuant to Section 4.05 in an amount equal to the Attributable Debt with respect to the sale and leaseback transaction without equally and ratably securing the Debentures, or (b) the Company, within 120 days, applies to the retirement of its Funded Debt (as defined) an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property leased pursuant to such arrangement, or (ii) the fair market value of the Principal Property so leased (subject to credits for certain voluntary retirements of Funded Debt). This restriction will not apply to any sale and leaseback transaction (a) between the Company and a Domestic Subsidiary or between Domestic Subsidiaries, or (b) involving the taking back of a lease for a period, including renewals, of less than three years. (Section 4.06.)

Events of Default and Notice Thereof

The following events will be defined in the Indenture as "Events of Default": failure to pay interest for 30 days after becoming due; failure to pay principal (or premium, if any) when due at maturity, or upon redemption (for the Sinking Fund, either mandatory or optional, or otherwise) or by declaration or otherwise; failure to perform any other covenants for 60 days after notice; and certain events of bankruptcy, insolvency or reorganization. (Section 6.01.)

The Indenture will provide that the Trustee shall, within 90 days after the occurrence of a default, give to the debentureholders notice of all uncured defaults known to it (the term default to include the events specified above without grace periods); provided, that, except in the case of default in the payment of principal of (or premium, if any, on) any of the Debentures when the same shall have become payable, whether upon maturity, or upon redemption (for the Sinking Fund or otherwise) or upon declaration or otherwise or in the payment of interest on any of the Debentures or in the making of any Sinking Fund payment, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the debentureholders. (Section 6.07.)

The Company will be required to furnish to the Trustee annually a statement of certain officers of the Company to the effect that to the best of their knowledge the Company is not in default in the performance and observance of certain terms of the Indenture or, if they have knowledge that the Company is in default, specifying such default. (Section 4.07.)

The holders of a majority in aggregate principal amount of all outstanding Debentures will have the right to waive certain defaults and, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. (Section 6.06.) The Indenture will provide that in case an Event of Default shall occur (which shall not have been cured or waived), the Trustee will be required to exercise such of its rights and powers under the Indenture and to use the degree of care and skill in their exercise that a prudent man would exercise or use in the conduct of his own affairs. (Section 7.01.) Subject to such provisions, the Trustee will be under no obligations to exercise any of its rights or powers under the Indenture at the request of any of the debentureholders unless they shall have offered to the Trustee reasonable security or indemnity. (Section 7.02.)

Modification of the Indenture

With certain exceptions, the Indenture, the rights and obligations of the Company and the rights of the debentureholders may be modified by the Company with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Debentures then outstanding; but no such modification may be made which would (i) extend the fixed maturity of any Debenture, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected; or (ii) reduce the above-stated percentage of Debentures, the consent of the holders of which is required to modify or alter the Indenture, without the consent of the holders of all Debentures then outstanding. (Section 10.02.)

Concerning the Trustee

Manufacturers Hanover Trust Company, which will be the Trustee under the Indenture, is the Trustee under an indenture, dated December 1, 1945, as supplemented by a supplemental indenture dated June 1, 1951, under which the Company's 3⅛% Debentures due 1976 are outstanding, under an indenture, dated as of March 15, 1962, under which the Company's 4⅜% Sinking Fund Debentures due March 15, 1992 are outstanding, and under an indenture, dated as of April 1, 1971, under which the Company's 6⅞% Sinking Fund Debentures due April 1, 1996 are outstanding. Manufacturers Hanover Trust Company is also a depositary of the Company, has from time to time made loans to the Company and its subsidiaries, is a trustee under the Company's non-contributory pension plan, and has performed other services for the Company and its subsidiaries in the normal course of its business. John F. McGillicuddy, the President of Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company, is a director of the Company. William O. Beers, the Chairman of the Board of Kraftco, is a director of Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co. are acting as representatives, has severally agreed to purchase, the principal amount of Debentures set forth opposite its name below:

Underwriter	Principal Amount of Debentures
Goldman, Sachs & Co.	$ 27,500,000
ABD Securities Corporation	1,200,000
Advest Co.	500,000
American Securities Corporation	1,000,000
Arnhold and S. Bleichroeder, Inc.	500,000
Bacon, Whipple & Co.	500,000
Robert W. Baird & Co. Incorporated	500,000
Boettcher & Company	500,000
J. C. Bradford & Co.	500,000
Alex. Brown & Sons	1,000,000
Butcher & Singer	500,000
Caldwell Phillips, Inc.	200,000
The Chicago Corporation	500,000
Clark, Dodge & Co. Incorporated	1,200,000
Julien Collins & Company	200,000
Dain, Kalman & Quail, Incorporated	500,000
Daniels & Bell, Inc.	200,000
Dillon, Read & Co. Inc.	1,500,000
Dominick & Dominick, Incorporated	1,000,000
Drexel Burnham & Co. Incorporated	1,500,000
Elkins, Morris, Stroud & Co.	200,000
EuroPartners Securities Corporation	1,200,000
The First Boston Corporation	1,500,000
First Harlem Securities Corporation	500,000
First of Michigan Corporation	500,000
First Mid America Inc.	200,000
Halsey, Stuart & Co. Inc.	1,500,000
Hayden Stone Inc.	1,000,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,500,000
Howe, Barnes & Johnson, Inc.	200,000
E. F. Hutton & Company Inc.	1,500,000
W. E. Hutton & Co.	1,000,000

Underwriter	Principal Amount of Debentures
Investment Corporation of Virginia	$ 500,000
Kidder, Peabody & Co. Incorporated	1,500,000
Kleinwort, Benson Incorporated	1,200,000
Kredietbank N. V.	1,000,000
Kuhn, Loeb & Co.	1,500,000
Lazard Freres & Co.	1,500,000
Lehman Brothers Incorporated	1,500,000
Loeb, Rhoades & Co.	1,500,000
Loewi & Co. Incorporated	500,000
McDonald & Company	500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,500,000
The Milwaukee Company	500,000
Mitchum, Jones & Templeton, Inc.	500,000
Moseley, Hallgarten & Estabrook Inc.	1,000,000
Mullaney, Wells & Company	500,000
John Nuveen & Co. Incorporated	1,000,000
The Ohio Company	500,000
Paine, Webber, Jackson & Curtis Incorporated	1,500,000
Piper, Jaffray & Hopwood Incorporated	1,000,000
Prescott, Ball & Turben	500,000
R. W. Pressprich & Co. Incorporated	1,000,000
Rand & Co., Inc.	500,000
Reinholdt & Gardner	500,000
Reynolds Securities Inc.	1,500,000
The Robinson-Humphrey Company, Inc.	500,000
Roose, Wade & Company	200,000
L. F. Rothschild & Co.	1,200,000
Salomon Brothers	1,500,000
Scherck, Stein & Franc, Inc.	200,000
Shearson, Hammill & Co. Incorporated	1,500,000
Shields Securities Corporation	1,200,000
Smith, Barney & Co. Incorporated	1,500,000
SoGen-Swiss International Corporation	1,200,000
Stern Brothers & Co.	500,000
Stone & Webster Securities Corporation	1,500,000
Stone & Youngberg	500,000
Stuart Brothers	200,000
Sutro & Co. Incorporated	500,000
Thomas & Company, Inc.	200,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	1,000,000
Tucker, Anthony & R. L. Day	1,000,000
UBS-DB Corporation	1,200,000
Underwood, Neuhaus & Co. Incorporated	500,000

Underwriter	Principal Amount of Debentures
G. H. Walker, Laird Incorporated	$ 1,000,000
Warburg-Paribas, Inc.	1,200,000
Watling, Lerchen & Co. Incorporated	500,000
Wertheim & Co., Inc.	1,500,000
Wheat, First Securities, Inc.	500,000
White, Weld & Co. Incorporated	1,500,000
Dean Witter & Co. Incorporated	1,500,000
Wood, Struthers & Winthrop Inc.	1,200,000
Total	$100,000,000

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Debentures offered hereby, if any are taken.

The Underwriters propose to offer Debentures in part directly to retail purchasers at the initial public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of .45% of the principal amount. The Underwriters may allow, and such dealers may reallow, a concession not in excess of .25% of the principal amount to certain brokers and dealers. After the Debentures are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

John L. Weinberg, a partner of Goldman, Sachs & Co., is a director of the Company. The Company from time to time in the ordinary course of business sells, and expects to continue to sell, its commercial paper to Goldman, Sachs & Co. for resale to others, and also purchases from that firm commercial paper of other corporations. In addition, Goldman, Sachs & Co. also receives commissions from time to time in the ordinary course of business on the purchase and sale of securities for the Company and trusts for its pension plans.

LEGAL OPINIONS

The validity of the Debentures offered hereby will be passed upon for the Company by John M. Richman, Esq., Kraftco Court, Glenview, Illinois 60025, Senior Vice President and General Counsel of the Company, and by Sullivan & Cromwell, 48 Wall Street, New York, New York 10005, as counsel for the Underwriters. Sullivan & Cromwell act as counsel to the Company under retainer and also render legal services to it in special matters. Mr. Richman owns 2,130 shares of the Company's Common Stock and holds stock options, becoming exercisable at various dates, for the purchase of an additional 3,000 shares.

EXPERTS

The consolidated financial statements included in this Prospectus have been examined by Arthur Andersen & Co., independent public accountants, as indicated in their report with respect thereto contained in the Prospectus. Such statements are included herein in reliance upon the report of such firm and upon the authority of such firm as experts in accounting and auditing.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Kraftco Corporation:

We have examined the consolidated balance sheet of Kraftco Corporation (a Delaware corporation) and Subsidiaries as of December 29, 1973, and the related consolidated statements of income and retained earnings (included on pages 4 and 5), capital transactions and changes in financial position for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kraftco Corporation and Subsidiaries as of December 29, 1973, and the results of their operations and changes in their financial position for the five years then ended, all in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 21, 1974.

KRAFTCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 29, 1973

ASSETS

Current Assets:			
Cash (Note 2)			$ 6,296,578
Cash pledged for bank loans (Note 2)			25,555,000
Temporary investments, at cost which approximates market			2,135,037
Notes and accounts receivable—			
Trade	$246,856,593		
Miscellaneous (including $758,979 receivable from employees)	20,413,489	$267,270,082	
Less—Allowance for doubtful notes and accounts		(6,292,211)	260,977,871
Inventories (Notes 1 and 3)—			
Products and materials		$519,328,663	
Supplies		39,282,651	558,611,314
Total current assets			$ 853,575,800
Other Investments and Long-term Receivables (Note 4), less allowance of $1,351,667			8,987,285
Property, Plant and Equipment, at cost:			
Land		$ 26,571,664	
Buildings and improvements	$320,941,131		
Machinery and equipment	566,494,739		
	$887,435,870		
Less—Accumulated depreciation (Note 1)	(434,395,285)	453,040,585	479,612,249
Prepaid and Deferred Items			13,177,941
Intangibles (Note 1)			35,544,016
			$1,390,897,291

See Notes to the Consolidated Financial Statements.

KRAFTCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 29, 1973

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable		$ 186,415,157
Commercial paper—U.S. (Note 5)		32,735,000
Short-term loans of International Subsidiaries (Note 5)		68,231,622
Accrued liabilities—		
Payrolls	$ 17,548,369	
Taxes, other than Federal and foreign taxes on income	16,936,271	
Interest	3,630,526	
All other	50,069,203	88,184,369
Federal and foreign taxes on income		33,398,313
Current portion of long-term debt, less amount provided for payment ($2,450,000) (Note 6)		1,894,120
Total current liabilities		$ 410,858,581
Long-Term Debt (Note 6)		143,018,861
Deferred Federal and Foreign Taxes on Income (Note 1)		19,716,522
Miscellaneous Reserves		7,342,262
Minority Interest in Subsidiary		2,297,552
Contingent Liabilities (Note 9)		
Stockholders' Equity:		
Preferred stock—		
Authorized—10,000,000 shares—$1.00 par value		
Issued—none	$ —	
Common stock (Notes 6 and 7)		
Authorized—60,000,000 shares—$2.50 par value		
Issued—29,451,288 shares	73,628,220	
Capital surplus	49,958,365	
Retained earnings (Note 8)	757,239,159	
	$880,825,744	
Less—Treasury stock (1,731,645 shares), at cost	(73,162,231)	807,663,513
		$1,390,897,291

See Notes to the Consolidated Financial Statements.

KRAFTCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years Ended				
	December 27, 1969	December 26, 1970	December 25, 1971	December 30, 1972	December 29, 1973
	(Amounts in thousands of dollars)				
Working Capital Provided By:					
Operations—					
Income before extraordinary charge	$ 75,625	$ 82,006	$ 91,347	$100,635	$103,428
Non-cash charge—Depreciation	42,305	42,029	40,733	43,727	46,690
	$117,930	$124,035	$132,080	$144,362	$150,118
Extraordinary charge (portion of $12,300,000 provision for losses on plant closings requiring use of working capital)	—	—	—	(5,905)	—
Book value of properties sold	998	4,359	5,334	3,564	13,482
Issuance of 6⅞% Debentures due 1996	—	—	50,000	—	—
Issuance of 7½% DM Convertible Bearer Bonds due 1985	—	27,300	—	—	—
Increase in other long-term debt	1,595	—	5,000	—	3,817
Sale of common stock under options	1,188	1,202	2,677	3,452	2,313
Other, net	(663)	508	4,035	6,721	3,463
	$121,048	$157,404	$199,126	$152,194	$173,193
Working Capital Used For:					
Dividends paid on common stock	$ 47,077	$ 47,507	$ 47,642	$ 49,741	$ 49,331
Property, plant and equipment additions	56,511	75,526	87,356	87,139	70,374
Decrease in long-term debt	31,946	1,802	1,238	5,039	7,199
Treasury stock acquired	19,315	—	—	5,694	17,491
Purchase of a business, net of working capital acquired	—	—	—	—	11,980
	$154,849	$124,835	$136,236	$147,613	$156,375
Increase (Decrease) in Working Capital	$(33,801)	$ 32,569	$ 62,890	$ 4,581	$ 16,818
Changes in Working Capital Represented By:					
Cash and temporary investments	$(37,402)	$ (3,857)	$ 33,337	$(16,978)	$(34,025)
Notes and accounts receivable, net	19,529	6,199	7,954	14,866	53,386
Inventories	30,630	21,947	47,842	53,397	94,342
Accounts payable and accrued liabilities	(12,784)	(19,950)	(18,537)	(20,308)	(43,198)
Commercial paper—U.S.	—	—	—	—	(32,735)
Short-term loans of International Subsidiaries	(7,127)	(2,416)	1,819	(23,822)	(18,788)
Federal and foreign taxes on income	2,861	1,053	(9,748)	688	(4,424)
Current portion of long-term debt	(29,508)	29,593	223	(3,262)	2,260
Increase (Decrease) in Working Capital	$(33,801)	$ 32,569	$ 62,890	$ 4,581	$ 16,818

See Notes to the Consolidated Financial Statements.

KRAFTCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL TRANSACTIONS

	Number of Shares		Amount		
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus
December 28, 1968	29,302,125	963,365	$73,255,312	$38,635,881	$46,282,206
Treasury stock acquired	—	458,500	—	19,527,407	—
Used for—					
Management Incentive Plan	—	(5,105)	—	(205,264)	7,003
Stock options exercised	29,623	(5,821)	74,058	(236,438)	877,519
December 27, 1969	29,331,748	1,410,939	$73,329,370	$57,721,586	$47,166,728
Treasury stock acquired	—	—	—	—	—
Used for—					
Management Incentive Plan	—	(6,133)	—	(250,901)	(15,394)
Stock options exercised	36,479	(2,022)	91,197	(82,756)	1,028,096
December 26, 1970	29,368,227	1,402,784	$73,420,567	$57,387,929	$48,179,430
Treasury stock acquired	—	—	—	—	—
Used for—					
Management Incentive Plan	—	(12)	—	(490)	28
Stock options exercised	45,605	(30,231)	114,013	(1,236,751)	1,326,435
Acquisition of new business	—	(22,555)	—	(922,726)	30,482
December 25, 1971	29,413,832	1,349,986	$73,534,580	$55,227,962	$49,536,375
Treasury stock acquired	—	121,200	—	5,693,545	—
Used for—					
Management Incentive Plan	—	(11)	—	(450)	—
Stock options exercised	20,075	(82,964)	50,187	(3,394,984)	7,059
December 30, 1972	29,433,907	1,388,211	$73,584,767	$57,526,073	$49,543,434
Treasury stock acquired	—	387,600	—	17,491,016	—
Used for—					
Management Incentive Plan	—	(11)	—	(463)	—
Stock options exercised	17,381	(44,155)	43,453	(1,854,395)	414,931
December 29, 1973	29,451,288	1,731,645	$73,628,220	$73,162,231	$49,958,365

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries. The voting stock of all consolidated subsidiaries is wholly owned, except for a minority interest in a Canadian subsidiary. The investment in 50% owned companies is recorded on the equity method. All significant inter-company items have been eliminated.

Translation of Foreign Currencies—In the consolidated balance sheet, assets and liabilities of international subsidiaries are translated at the rates of exchange prevailing on the balance sheet date, except for fixed assets and intangibles, which are generally translated at the rates of exchange prevailing at the time such assets were acquired. Income and expense accounts are translated at the average exchange rates in effect during the years, except for depreciation, which is translated at the exchange rates which were in effect when the respective assets were acquired. Exchange adjustments originating during the year are reflected in income, and amounted to a pre-tax loss of $4,000 in 1973, and income of $772,000 in 1972. After tax exchange adjustments in 1973 increased net income by $1,464,000, compared to an increase of $585,000 in 1972. An analysis of the 1973 exchange adjustment follows:

	Worldwide Total	U.S.	International Other Than Canada
	(Thousands of Dollars)		
Before taxes	$ (4)	$(6,159)	$ 6,155
Taxes	1,468	2,956	(1,488)
After taxes	$1,464	$(3,203)	$ 4,667

Inventory Valuation—Inventories are stated at the lower of average cost or market.

Depreciation—The Company and subsidiaries follow the policy of providing, by charges against income, for depreciation of the gross book value of depreciable property. Such charges are generally computed on a straight-line basis over estimated useful lives of buildings and on a composite basis over estimated group lives of machinery and equipment. The rates of depreciation used are as follows (higher allowances being made in certain cases):

Buildings	2¼ to 4%
Machinery and equipment	5%
Trucks and passenger cars	10 to 25%
Furniture and fixtures	6%
Cabinets, fountains and vending machines	5½ to 10%
Cans, cases, etc.	25%

Upon the sale or retirement of buildings and groups of other property, profit or loss on such disposal is recognized. On routine disposals of depreciable assets (except buildings) the gross book value less the proceeds or salvage value is charged to accumulated depreciation.

Costs and expenses include depreciation and amortization for each year as follows: 1969, $42,305,221; 1970, $42,028,913; 1971, $40,732,653; 1972, $43,727,246 and 1973, $46,689,928.

Intangibles—Intangibles represent the excess of the purchase price paid over the net book values of the tangible assets of certain businesses acquired. For businesses acquired prior to November 1, 1970, intangibles amount to $26,562,952 and are not currently being amortized. Intangibles resulting from transactions after that date ($8,981,064, net of amortization, at December 29, 1973) are being amortized over 40 years. Amortization for the year 1973 amounted to $172,176 and none for 1969 through 1972.

Investment Tax Credit—Investment tax credits are taken directly into income as a reduction of the provision for Federal income taxes. Investment tax credits, including current and amortized portion ($322,000 each year, 1969 through 1972) amounted to $872,000 in 1969, $602,000 in 1970, $1,622,000 in 1971, $3,922,000 in 1972 and $2,500,000 for 1973.

Research and Development Costs—Research and development costs are charged to expense as incurred. These costs approximated $7,333,000 in 1969, $8,270,000 in 1970, $8,300,000 in 1971, $8,500,000 in 1972 and $8,950,000 in 1973.

Advertising—Advertising costs generally are charged to expense during the year in which they are incurred.

Repairs and Maintenance—In general, expenditures for maintenance, repairs, renewals and betterments, which do not materially extend the normal useful life of the asset, or are of a minor nature, are charged to expense; and expenditures for renewals and betterments of a relatively major nature that substantially extend the normal useful life of the asset are charged to accumulated depreciation.

Undistributed Earnings of International Subsidiaries—Federal income taxes are provided on the portion of each international subsidiary's earnings which is not deemed to be permanently invested in the subsidiary. At December 29, 1973, approximately $92,115,000 of such undistributed earnings were considered to be permanently invested. In the event such earnings were distributed, the Company would have available tax credits which would substantially offset any Federal income taxes due.

Deferred Taxes—Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences and the tax effect was as follows:

	1973
Excess of tax over book depreciation	$4,849,000
Exchange adjustment related to 7½% DM Convertible Bearer Bonds due 1985	(2,784,000)
	$2,065,000

There are no significant items either individually or in the aggregate accounting for the difference between the statutory U. S. Federal income tax rate and the effective rate for 1973.

It is not expected that there will be substantial cash outlays for tax payments in excess of tax expense for the next three years.

Note 2: Cash.

At December 29, 1973, $23,689,000 was held in short-term bank deposits as pledges for bank loans of international subsidiaries, and $1,866,000 was deposited with a German bank to comply with German Government regulations relating to borrowings of a German subsidiary. The Company had unused lines of credit amounting to $133,000,000 at December 29, 1973. Bank balances of approximately $5,800,000 were maintained at banks to offset routine banking service charges and to support lines of credit. Domestic balances fluctuate depending upon the amount of domestic bank borrowings under these lines.

Note 3: Inventories.

It is impracticable to segregate inventories into raw materials, work in process and finished goods because of the nature of the business. The amounts of opening and closing inventories were as follows:

December 28, 1968	$310,453,364
December 27, 1969	341,089,300
December 26, 1970	363,030,170
December 25, 1971	410,872,488
December 30, 1972	464,269,087
December 29, 1973	558,611,314

Note 4: Other Investments.

In general, other security investments are stated at the lower of cost or estimated realizable value. Market quotations on certain miscellaneous investments are not available.

Note 5: Short-Term Borrowings.

Short-term borrowings for the year ended December 29, 1973 were as follows:

	Commercial Paper	Short-Term Loans of International Subsidiaries
Outstanding at December 29, 1973	$32,735,000	$68,231,622
Average Interest Rates	9.6%	11.8%

The maximum amount of outstanding aggregate short-term borrowings at any period end (12 periods) during the year ended December 29, 1973 was $100,966,622.

The average amount of outstanding aggregate short-term borrowings for the year ended December 29, 1973 was $74,739,000. The weighted average interest rate applicable thereto was 10.4%. The average borrowings and weighted average interest rates were determined using period end borrowings and the interest rates applicable thereto.

Short-term loans of International Subsidiaries are principally from banks where the Company has lines of credit (see Note 2). Commercial paper is sold in the open market. It is the Company's policy to maintain confirmed lines of credit equal to its outstanding commercial paper.

Note 6: Long-Term Debt.

All of the issues of debentures and debenture stock, other than the 7½% DM Convertible Bearer Bonds, have sinking fund or prepayment requirements. The amounts shown below as outstanding exclude maturities and sinking fund requirements included in current liabilities, and $3,975,000 of debentures held in treasury in excess of current sinking fund requirements.

	December 29, 1973
Kraftco Corporation	
3⅛% Debentures due 1976	$ 13,506,000
4⅜% Debentures due 1992	25,719,000
6⅞% Debentures due 1996	50,000,000
7½% Convertible Bearer Bonds due 1985 (Deutsche Marks) (convertible into 649,350 shares of common stock of the Company)	37,000,000
2% Mortgage—Pennsylvania Industrial Development Authority due 1973/93	4,690,341
Mortgages payable of a subsidiary	3,878,409
Bank Loans due 1978 (Eurodollars)	3,817,111
English Subsidiary	
Debenture Stock (5—6¾%) due 1975	4,408,000
	$143,018,861

The aggregate amount of annual sinking fund and prepayment requirements for, and maturities of, long-term debt total $4,344,100 for 1974, $8,353,900 for 1975, $16,094,300 for 1976, $5,043,400 for 1977 and $8,690,100 for 1978.

Note 7: Stock Options.

At December 29, 1973, 1,429 employees (including officers) held options granted under the Company's 1965 and 1970 Stock Option Plans. At that date, options for 182,394 shares were exercisable. Options for 199,770 and 189,160 shares at December 29, 1973 and December 30, 1972, respectively, were available for future grants. Options become exercisable in cumulative periodic installments. During the year options were granted to purchase 2,500 shares at $46.15 per share. Options for 103,697 shares lapsed or were cancelled during the year. Proceeds from options exercised during the year were credited to the common stock, treasury stock and capital surplus accounts. No charges have been reflected in income for any year with respect to the Stock Option Plans.

As of December 29, 1973, options were outstanding as follows:

Years Granted	Shares	Option Price		Market Value on Date Granted(A)	
		Per Share	Total	Per Share	Total
1969-1973	348,004	$33.50 to $46.15	$13,585,702	$33.25 to $46.125	$13,494,930

During the five year period ended December 29, 1973, options became exercisable as follows:

Years Exercisable	Shares	Option Price on Date Granted		Market Value on Date Exercisable(A)	
		Per Share	Total	Per Share	Total
1969	133,423	$30.25 to $41.65	$4,459,107	$37.875 to $46.125	$5,475,294
1970	119,484	30.25 to 41.65	4,575,866	33.125 to 39.50	4,397,382
1971	109,812	30.25 to 41.65	4,011,326	41.375 to 44.375	4,709,235
1972	101,797	30.25 to 41.65	3,906,282	42.875 to 49.00	4,664,504
1973	101,965	33.50 to 43.25	3,812,322	38.875 to 47.25	4,482,396

During the five year period ended December 29, 1973, options were exercised as follows:

Years Exercised	Shares	Option Price		Market Value on Date Exercised(A)	
		Per Share	Total	Per Share	Total
1969	35,444	$30.25 to $41.65	$1,188,015	$36.75 to $47.625	$1,531,869
1970	38,501	30.25 to 41.65	1,202,049	33.00 to 41.875	1,467,878
1971	75,836	30.25 to 41.65	2,677,199	38.75 to 45.75	3,221,856
1972	103,039	30.25 to 41.65	3,452,230	40.875 to 50.125	4,635,983
1973	61,536	30.25 to 43.25	2,313,405	39.25 to 49.75	2,813,098

(A) Based upon the last reported sale quotation on the New York Stock Exchange on the applicable dates. The market quotations represent the range from the lowest to the highest on all dates on which options were granted, became exercisable, or were exercised during the years.

Note 8: Dividend Restriction.

Pursuant to the terms of the Indenture dated December 1, 1945 and the Supplemental Indenture dated June 1, 1951 under which the Company's 3⅛% Debentures are outstanding, approximately $224,605,000 of retained earnings were restricted at December 29, 1973 as to the payment of cash dividends.

Note 9: Contingent Liabilities.

There are no pending legal proceedings against the Company other than ordinary routine litigation (including several treble damage suits based on alleged violations of the antitrust laws) which is incidental to the Company's business and, based on the opinion of the Company's General Counsel, it is believed that the outcome of such litigation will not materially affect the Company's consolidated financial position or operations.

Note 10: Supplementary Profit and Loss Information.

Costs and expenses for the 5 years ended December 29, 1973 include:

	1969	1970	1971	1972	1973
	(Thousands of Dollars)				
Maintenance and repairs	$38,986	$39,706	$43,726	$51,079	$52,632
Depreciation and amortization	42,305	42,029	40,733	43,727	46,690
Taxes, other than income taxes	28,023	30,419	33,558	37,617	44,047
Advertising costs	68,929	71,246	71,871	79,973	88,023

Amortization of intangible assets, rents and royalties have been omitted since they do not exceed 1% of net sales.

Note 11: Pension Plans.

The Company and its subsidiaries have several pension plans. It is the Company's general policy to provide and fund current service costs and interest on unfunded past service costs annually and to amortize past service costs over 40 years. At January 1, 1973, employees' vested benefits under these plans were fully funded. The unfunded actuarial cost with respect to these plans administered by the Company and certain subsidiaries is estimated to be $63,450,000 at December 29, 1973. The Company also contributes to joint industry and union plans. Substantially all employees are covered under one or more of the above plans. Total pension costs approximated $15,550,000 in 1969, $16,450,000 in 1970, $18,000,000 in 1971, $19,525,000 in 1972 and $19,650,000 in 1973.

Note 12: Profit Incentive Plans.

Under year-to-year profit incentive compensation plans of the Company and certain of its divisions, key employees including officers of the Company, earned approximately $6,048,000 for 1969, $6,481,000 for 1970, $7,316,000 for 1971, $8,011,000 for 1972 and $8,158,000 for 1973. These plans covering 2,821 employees for 1973, did not include any Director of the Company who was not an officer.

Note 13: Extraordinary Charge.

The extraordinary charge for 1972 represents known and anticipated costs in connection with the closing of certain U. S. milk and ice cream plants, including estimated losses on disposition of the properties, severance pay and other related expenses amounting to $12,300,000 net of related tax benefits.

Note 14: International Subsidiaries.

The financial statements of International Subsidiaries other than Canadian included in the consolidated financial statements, in the aggregate, reflect the following:

	December 29, 1973
Current assets	$168,863,828
Current liabilities	144,969,391
Property, plant and equipment less accumulated depreciation	77,506,700
Long-term debt and reserves	10,159,354
Net tangible assets	94,607,545

The net sales, income before taxes and net income for the five years ended December 29, 1973 of such subsidiaries were as follows:

	Net Sales	Income Before Taxes	Net Income
1969	$273,625,289	$14,254,583	$ 7,777,462
1970	320,347,580	14,630,800	6,739,380
1971	397,955,149	23,203,256	12,002,175
1972	461,316,553	30,329,133	16,950,495
1973	571,455,829	36,926,538*	24,940,401*

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*For details on translation of foreign currencies see Note 1.

Income taxes included in the determination of net income above are based upon foreign income tax rates applicable to such income. Any additional taxes expected to be payable in the United States on foreign income are included in the consolidated provision for income taxes.